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CIA/RR CB 65-71

November 1965

Copy No. 212

### INTELLIGENCE BRIEF

THE ECONOMIC DIMENSIONS OF THE ZAMBIA RESCUE OPERATION

# DIRECTORATE OF INTELLIGENCE Office of Research and Reports

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# THE ECONOMIC DIMENSIONS OF THE ZAMBIA RESCUE OPERATION\*

In the emotional aftermath of Southern Rhodesia's unilateral declaration of independence (UDI), Zambian President Kenneth Kaunda may feel compelled to precipitate a complete economic break with Rhodesia. Although it is less likely, initiative for such a break could come from Rhodesia. An accumulation of actions and reactions could bring about a complete severing of all economic ties between the two countries. However this break comes about, the consequences for Zambia would be serious. One result of cutting the economic ties between Rhodesia and Zambia would be the elimination of most of the 700,000 short tons (st) of copper from world markets otherwise expected in the next year because of the heavy dependence of Zambian copper production on Rhodesian coal and electric power and because the major rail link to Zambia is through Rhodesia. Such an eventuality would pose difficult adjustment problems for much of the industrialized West because copper is already in short supply. The pound sterling, under these conditions, would probably come under severe pressure because of the importance of Zambian copper to British export industries.

There is no way in the short run by which the United States or the United Kingdom could offset the major consequences for Zambia of such a breakdown. Three economic and financial problems would be created immediately. First, the Free World need for Zambian copper is critical, and efforts would have to be made to continue production. The remaining limited supplies of copper from other Free World producers would have to be rationed. Second, the Zambian economy would have to be kept afloat at some minimum level and its dominant mining sector kept functioning, at least on a care-and-maintenance basis. Finally, the financial loss to the United Kingdom (estimated by the British at between US \$400 million and \$700 million annually) would have to be eased in order to maintain the stability of the pound sterling.

#### 1. Rhodesia's Economic Stranglehold

Zambia's economic dependence on goods and services provided by Rhodesia is almost complete. In order to maintain economic activity at anything like the present levels, Zambia must have access to Mozambique's Indian Ocean ports via Rhodesia, an uninterrupted flow of electricity from the jointly owned Kariba power complex, and a continuous supply of coal from Rhodesia's Wankie fields. Rail and road

<sup>\*</sup> The estimates and conclusions in this brief represent the best judgment of this Office as of 23 November 1965.

routes to the sea, other than those transiting Rhodesia, are available to Zambia. However, they collectively lack the capacity to offset the loss of access to the Rhodesian system. Zambia's embryonic coal industry, under the most optimistic assumptions, could provide only a small fraction of the coal Zambia would require if it is denied Wankie coal. Although there is substantial unused thermal electric generating capacity in Zambia, power generation from these plants would necessarily depend on imported coal, and in any event Zambian generating stations could not offset the loss of Kariba power.

### 2. Copper Production\*

With the exception of a modest amount of electric power imported from Katanga, Zambia's annual production of some 700,000 st of copper depends completely on electricity supplied from Kariba and on electricity generated in Zambia's thermal powerplants, which use Rhodesian coal. Substantial additional amounts of Wankie coal are consumed in processing Zambian copper concentrates through the blister stage. Without these supplies, it would not be possible to maintain production at 700,000 st, and output would fall sharply. The limiting factor in the first instance is the capacity of the Zambian thermal powerplants. Although these plants now operate only intermittently, they could produce at capacity 1.13 billion kilowatt-hours per year. In addition, 400 million kilowatt-hours probably can be imported per year from Katanga. Because of line losses and municipal and other uses, the net electric power available to the copper companies annually would be about 1.1 billion kilowatt-hours. This amount of power would allow the mines to produce annually about 450,000 st of blister copper or 400,000 st of electrolytic copper. The coal required for this level of copper production would be about 1.5 million st -- 775,000 st to generate domestic power, 400,000 st to smelt the copper, and about 325,000 st to operate the railroad within Zambia to service this level of economic activity. Such a rate of production would be dependent, however, on the physical ability to import this amount of coal in addition to the other mining supplies and foodstuffs necessary to maintain the population at a level of austerity. The importation of such quantities of coal into Zambia is not believed to be possible.

## 3. Austerity in Zambia\*\*

At the current level of economic activity, Zambia imports about 2 million st of goods annually. To maintain the Zambian economy at

<sup>\*</sup> For details on required inputs of electric power, see Appendix A.

\*\* For details on inputs necessary to sustain the Zambian economy at austerity levels, see Appendix B.

an austerity level and to keep the mining industry on a care-and-maintenance basis, it is estimated that imports could be reduced to about 900,000 st as follows:

Commodity	Thousand Short Tons
Coal	<u>¥</u> ,1:5.
POL	150
Food	140
Other	190

This estimate of coal requirements assumes a doubling of imports of Katangan power to 400 million kilowatt-hours annually, and hence is probably conservative. The estimate of coal imports could be reduced if Zambia's own fields at Kandabwe could begin significant production. Conflicting estimates suggest that Kandabwe could produce at an annual rate of between 200,000 and 400,000 st. Depending on the level of Kandabwe production (and the present level is negligible), the volume of all imports needed to sustain the economy on a care-and-maintenance basis would total between 500,000 and 700,000 st.annually.

## 4. Transport Alternatives\*

In the final analysis the controlling factor limiting the effectiveness of any Zambia rescue operation will be the availability of transport capacity on routes which avoid Rhodesia. The three possibilities are rail, road, and air, which in turn are limited primarily by port capacity in East Africa. The estimated excess inbound capacity of all roads from Zambia to Tanzanian Indian Ocean ports is about 100,000 st annually.

suggests that 6 100,000 st per year is the maximum that can be carried, using readily available aircraft and without time-consuming improvements to East African airports. In addition, by using the East African railroad system, another 100,000 st can be made available to Zambia. Thus the combined inbound rail, road, and airlift capacity through Tanzania is 300,000 st per year. The rail-river transport system through Congo (Leopoldville) might also carry an additional 100,000 st of inbound cargo.

The only major rail route from Zambia to the sea that does not pass through Rhodesia is the Benguela Railroad through Portuguese Angola. The surplus capacity of this wood-burning railroad is subject to considerable conjecture, but it is probably at least 600,000 st -- 400,000 st inbound toward Zambia and 200,000 st outbound.

<sup>\*</sup> For details on transport facilities, see Appendix C.

Theoretically, Zambia would be able to draw on a total inbound capacity by rail, road, river, and air of about 800,000 st. Katanga, however, would very likely have first call on the surplus inbound capacity of the Benguela Railroad to offset the 450,000 st of goods now imported through Rhodesia, including 300,000 st of Wankie coal and 150,000 st of general merchandise, and thus would more than offset the available surplus inbound capacity.

As indicated above, under favorable circumstances, between 500,000 and 700,000 st of imports annually are required to support Zambia on a care-and-maintenance basis. If only 300,000 st of imports are available through Tanzania and an additional 100,000 st through the Congo (Leopoldville), it is apparent that it would be virtually impossible to support Zambia adequately, even at a sharply reduced level of economic activity.

It is possible that the report of the railroad expert now investigating the Benguela route will increase the current estimate of surplus capacity available on this route. However, the upward revision of capacity would have to be very large to alter the conclusions of this brief substantially.

#### APPENDIX A

# LIMITATIONS IMPOSED ON THE MAXIMUM PRODUCTION OF ZAMBIAN COPPER BY AVAILABILITY OF ELECTRIC POWER

The availability of electric power in Zambia places rigid limitations on copper production. The maximum quantity of Zambian copper which can be produced in the absence of Kariba power and Wankie coal from Rhodesia has been estimated in the following fashion. It was assumed that all Zambian thermal powerplants will operate at full capacity and that the availability of coal will not be a limiting factor. Furthermore, the present import of 200 million kilowatt-hours of electricity from Katanga was doubled to 400 million kilowatt-hours. Allowing for various losses and other essential uses, it was estimated that Zambia would have access to 1.1 billion kilowatt-hours annually under these maximum assumptions. Using the experience factors below, it was determined that a maximum of 450,000 st of blister copper could be produced if refining facilities were shut down to conserve electricity. If refining were carried on, only 400,000 st of electrolytically refined copper could be produced.

The estimated electric power requirements in Zambia per short ton of refined copper are as follows\*:

	Kilowatt-Hours per Short Ton	Percent
Mining Concentrating Smelting and converting Electrolytic refining Auxiliary shops	795 1,270 205 180 270	29.2 46.7 7.5 6.6 10.0
Total	2,720	100.0

Thus the tonnage of copper that can be produced is derived by dividing the amount of power available by 2,720 kilowatt-hours. This

<sup>\*</sup> Thirty-nine short tons of ore are required to recover one short ton of refined copper.

will give the amount of electrolytic (refined) copper that can be produced. To arrive at an estimate for smelter (blister) copper, 180 kilowatt-hours per st were subtracted, thus further reducing the power input required by using a slightly lower figure for the needs of auxiliary shops.

#### APPENDIX B

# MINIMUM INPUTS NECESSARY TO SUSTAIN THE ZAMBIAN ECONOMY AT AUSTERITY LEVELS AND THE MINING INDUSTRY ON A CARE-AND-MAINTENANCE BASIS AND MAXIMUM TRANSPORT CAPABILITIES AVAILABLE

Under the assumption that Rhodesia cuts off supplies of electric power from Kariba, halts shipments of Wankie coal, and denies Zambia the use of rail transit facilities, the estimated annual imports necessary for maintenance of the Zambian mines and a minimum level of other economic activities are as follows:

	Thousand Short Tons
Coal POL, food, and other	415 480
Total	900 (rounded)

Potential domestic production of fuel amounts to 200,000 to 400,000 st, leaving a deficit of 500,000 to 700,000 st that would have to be met by imports. Available inbound transport capacity, however, amounts to only 400,000 st, leaving an import shortfall of 100,000 to 300,000 st.

In order to provide for care and maintenance of the mines and to provide a minimum level of other activity, this Office estimates that 415,000 st of coal per year would be required. Other estimates of these requirements are as follows:

	Thousand Short Tons per Year
Mining company a/ Mining company official a/ Ex-adviser to President Kaunda a/	780 770 432 360

a. These estimates include care and maintenance of the mines and only a small portion of the coal needed for other essential activities.

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A mining company official estimated that 100 megawatts of power capacity is needed for the care and maintenance of all Zambian copper mines. A large portion of these needs can be imported from hydroelectric facilities in Congo (Leopoldville). The estimates of the ability of Congo (Leopoldville) to make power capacity available, however, have ranged from 40 to 100 megawatts. The midpoint of these estimates, 70 megawatts, is used. Coal requirements of 130,000 st needed to convert the remaining 30 megawatt capacity into electrical output is obtained by applying factors developed in Appendix C. Municipal needs and line losses in 1964 totaled 250 million kilowatt-hours. Coal inputs of 200,000 st needed to generate this output is obtained by applying the fuel consumption/power production ratio derived in Appendix C. This coal figure is for present consumption; therefore, 135,000 st of coal, is used here to indicate a lower level of activities. The railroads will need 150,000 st of coal, assuming a much reduced level of activity.

In addition to coal, estimated annual Zambian import requirements for a minimum level of economic activities are as follows:

	Thousand Short Tons
Food POL Other	140 150 190
Total	480

Some domestic fuel production is possible. Zambia plans to extract coal starting in early 1966 from the Kandabwe coalfield. Annual production is projected at 180,000 st. Emergency deliveries in amounts up to 360,000 st yearly may be available. Both of these estimates are believed to be overly optimistic, however. An additional 20,000 to 40,000 st of coal-equivalent in cordwood for use in thermal powerplants has been included to give a range of 200,000 to 400,000 st for domestic fuel supplies.

The estimated annual inbound transportation capacity is as follows:

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	Thousand Short Tons
Benguela Railroad Through Tanzania by road, rail, and airlift Congo (Laopoldville), Katanga to Matadi	400 300 100
Maximum excess capacity available	800

The Congo (Leopoldville) mining industry, which is the main user of the Benguela route, probably would absorb all this line's excess capacity in order to replace lost tonnages imported via Rhodesian Railways. Thus the remaining maximum inbound capacity available to Zambia is 400,000 st and includes the 300,000 st shipped via Tanzania and the 100,000 st transported from Katanga to Matadi.

Other estimates of the capacity of the Benguela Railroad are as follows:

	Thousand Short Tons	
Report of transportation experts to the Zambian government.  Official of the Benguela Railroad Financial Mail, Lusakaa Transportation experts from Brookings	300 900 276 144	
Institute	1,200	25X6

Rail, road, and airlift capacity through Tanzania was estimated at 300,000 st. (This volume is limited by the cargo-nandling capacity of the Tanzanian ports.) A report to the Zambian government by transportation experts estimated that no inbound capacity existed via Tanzania and added that none existed from Congo (Leopoldville) to Matadi.

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#### APPENDIX C

# MAXIMUM ELECTRIC POWER AVAILABLE TO THE ZAMBIAN COPPER INDUSTRY AND THE NECESSARY COAL INPUT

If Rhodesia cuts off supplies of electric power from Kariba, it is estimated that Zambian thermal powerplants which service the copperbelt can generate power at the rate of 1,130 million kilowatt-hours per year. In addition it is assumed that 400 million kilowatt-hours can be imported from Congo (Leopoldville). Of this total of 1,530 million kilowatt-hours, 430 million will be consumed by municipalities and by line loss, leaving 1,100 million kilowatt-hours available for the copper mines. It is also estimated that about 775,000 short tons of coal are needed by Zambian thermal powerplants to generate 1,130 million kilowatt-hours.

Current maximum electric power obtainable from Zambian thermal powerplants is determined by applying the 1954 operating factor (when these plants were operating near capacity) to the present capacity. Thus in 1954, thermal powerplants servicing the Zambian copperbelt had a capacity of 168.2 megawatts and an output of 904 million kilowatt-hours. The generating plants, therefore, operated 5,375 hours that year. The present capacity of 205 megawatts multiplied by a rounded operating factor of 5,500 hours yields an annual output of 1,130 million kilowatt-hours.

The 1954 fuel input for Zambian thermal powerplants on the copperbelt is shown below in terms of coal equivalents:

	Thousand Short Tons
Coal Cordwood Wasteheat steam Oil	354 232 139 . 5
Total	<u>730</u>

Coal requirements of 912,000 short tons were determined by applying the above fuel consumption/power production ratio to the estimated maximum thermal generating output. Wasteheat steam from the copper smelters represents the equivalent of 139,000 short tons of coal. Thus about 775,000 short tons of coal would be needed to reach maximum output.

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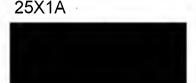
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